

## AUDIT COMMITTEE

<b>Date of Meeting</b>	Wednesday, 5 <sup>th</sup> June 2019
<b>Report Subject</b>	Internal Audit Charter
<b>Report Author</b>	Internal Audit Manager
<b>Type of Report</b>	Assurance

### EXECUTIVE SUMMARY

Public Sector Internal Audit Standards (PSIAS) require that the role, scope, independence, authority and responsibility of Internal Audit be formally defined in a charter. The charter must be reviewed periodically and approved by the Audit Committee. The current charter has been reviewed to ensure the charter continue meets all legal and regulatory requirements. This paper shows the results of that review.

### RECOMMENDATIONS

1	The Committee is requested to consider and approve the updated Internal Audit Charter.
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### REPORT DETAILS

<b>1.00</b>	<b>EXPLAINING THE INTERNAL AUDIT PROGRESS REPORT</b>
1.01	<p>Internal Audit has had a charter since 2002. It was last updated in 2015 to reflect the changes set out on in the updated Public Sector Internal Audit Standards (PSIAS) and the Accounts and Audit (Wales) Regulations 2018 which has been published, all of which relate to Internal Audit.</p> <p>The current review takes into account the requirements of the acts and the suggestions made during the recent external assessment of service compliance with the PSIAS.</p>
1.02	There has been some movement of sections within the Charter however few changes have been made to the policy apart from bringing it up to date with the requirements of the PSIAS and to reflect current ways of working, terminology and positions within the Council, which are listed below.

	<p>The Charter update also incorporates the suggested improvements following the external assurance assessment. To aid review the new areas included within the Charter are detailed below:</p> <p><b>Section      New to the Charter</b></p> <p>Section 2      This section has been updated to reflect the new mission statement of the Chartered Institute of the Internal Audit (CIIA).</p> <p>Para 4.5      To demonstrate independence reference has been made to the Audit Manager's direct access to the Chief Executive and the Council's Leader.</p> <p>Para 4.8      To further demonstrate independence, the expectations of the auditors have been noted.</p> <p>Para 6.1      Aligned the Charter to the recently updated Whistleblowing policy in reference to members and third party individuals.</p> <p>Para 9.2      Audit Training – included the requirement for auditors to undertaken 30 hrs training if they hold the CIA qualification.</p> <p>Para 10.6      Included the reporting responsibilities of the Audit Manager.</p> <p>Section 12      Included a new section on the Quality Assurance and Improvement Programme.</p> <p>Section 13      Included a new section on Third Party Auditing.</p>
1.03	The Charter meets the requirements of the PSIAS standards. It gives the mission, definition and legal background to Internal Audit. It shows the code of ethics that auditors must comply with. It includes the independence and authority of Internal Audit; the role, scope and responsibility of the activity including fraud-related work. It also outlines the resources of the team, training requirements and reporting requirements.
1.04	Within Flintshire, the Charter is part section 26 of the Constitution. After approval by the Audit Committee, it is intended to submit the Charter to the Constitution and Democratic Services Committee for approval.
1.05	To aid clarity and transparency two copies of the Internal Audit Charter are included. Appendix A shows where the changes have occurred, using tracked changes, whilst Appendix B shows the revised Charter without tracked changes.

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	None as a result of this report.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	The draft Charter has been shared with the Chief Executive, Monitoring Officer and Corporate Finance Officer (s151 Officer) for consideration.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	Internal Audit provides an independent, objective assurance to the Council by evaluating the effectiveness of risk management, control and governance processes. To do so it needs to be independent and have the necessary authority to fulfil that role, which helps reduce the overall risk to the Council. The Charter ensures that the internal audit service has sufficient independence and authority within the Council.

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix A – Internal Audit Charter including tracked changes. Appendix B – Internal Audit Charter without tracked changes.

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	None.  <b>Contact Officer:</b> Lisa Brownbill, Internal Audit Manager <b>Telephone:</b> 01352 702231 <b>E-mail:</b> <a href="mailto:Lisa.brownbill@flintshire.gov.uk">Lisa.brownbill@flintshire.gov.uk</a>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<p><b>PSIAS, Public Sector Internal Audit Standards:</b> a set of standards that all Internal Audit teams working in the public sector must comply with.</p> <p><b>Corporate Governance:</b> the system by which local authorities direct and control their functions and relate to their communities. It is founded on the basic principles of openness and inclusivity, integrity and accountability together with the overarching concept of leadership. It is an inter-related system that brings together the underlying set of legislative requirements, governance principles and management processes.</p> <p><b>Risk Management:</b> the process of identifying risks, evaluating their potential consequences and managing them. The aim is to reduce the frequency of risk events occurring (wherever this is possible) and minimise the severity of their consequences if they occur. Threats are managed by a process of controlling, transferring or retaining the risk. Opportunities are managed by identifying strategies to maximise the opportunity or reward for the organisation.</p>